

VZCZCXRO2543
PP RUEHBC RUEHDE RUEHDIR RUEHKUK
DE RUEHMS #0156/01 0511327
ZNY SSSSS ZZH
P 201327Z FEB 08
FM AMEMBASSY MUSCAT
TO RUEHC/SECSTATE WASHDC PRIORITY 9294
INFO RUCNIRA/IRAN COLLECTIVE
RHEHNSC/NSC WASHDC
RUEKJCS/SECDEF WASHDC
RHMFISS/CDR USCENTCOM MACDILL AFB FL
RHBVAKS/COMUSNAVCENT

S E C R E T SECTION 01 OF 03 MUSCAT 000156

SIPDIS

SIPDIS

E.O. 12958: DECL: 02/20/2018

TAGS: [PREL](#) [ECON](#) [IR](#) [MU](#)

SUBJECT: IRANIAN PUSH TO RAISE PUBLIC AND COMMERCIAL
PROFILE IN OMAN

REF: A. MUSCAT 18

[1](#)B. 07 MUSCAT 1036

[1](#)C. 07 MUSCAT 1027

[1](#)D. 07 MUSCAT 780

Classified By: Ambassador Gary A. Grappo for Reasons 1.4 (b, d)

SUMMARY

[1](#)1. (S) As evidenced by a series of recent visits, media interviews and a first-time commercial exposition, Iran appears to be making a concerted effort to raise its profile, and currently very limited business presence, in Oman. While Omani interest in Iranian gas could expand cooperation between the two countries in the energy field, the difficulty of doing business with Iranian companies, and the desire of the government and security services to limit Iran's influence in Oman, will likely hamper Tehran's attempts to strengthen its presence in Oman. End Summary.

BACKGROUND

[1](#)2. (C) The present Oman-Iran relationship, devoid of any outstanding territorial claims or other divisive issues, is based on common interests including maritime security, low-level trade, and potential joint energy development. On the surface, there is considerable dialogue and engagement between the two countries. The Omani police and military, for example, reportedly maintain open channels of communications with their Iranian counterparts on matters such as the smuggling of illegal migrant workers and narcotics to Oman through Iranian waters, although actual results of such cooperation are rarely reported. Minister Responsible for Foreign Affairs Yusef bin Alawi makes regular visits to Tehran to talk with Iranian leaders, and there a number of standing "joint committees" and "friendship societies" between Iran and Oman which convene at least semi-regularly. The Oman-Iran Joint Political Committee met most recently on February 3 in Muscat, while the sixth session of the Oman-Iran Joint Military Commission concluded its latest meeting in early December 2007 in Tehran.

[1](#)3. (C) Although the Iranian media likes to trumpet (and often exaggerate) the scope of Oman-Iran ties, all of this bilateral activity masks an overall relationship that is mostly skin-deep and non-substantive apart from a few limited subjects. The head of Oman's side of the Joint Political Committee -- Ambassador Ahmad bin Yusef al-Harthy, Chief of the Arabian Affairs Department of the MFA -- has told poloff, for example, that this particular body "doesn't really do

very much." Most Iranian visitors to Oman still face burdensome visa requirements (a vestige of the Sultan's deliberate decision early in his rule to restrict the number of Iranian expatriates), and there are no direct flights between Muscat and Tehran. (Note: The only non-stop flight from Oman to Iran lands in Shiraz. End Note.) Omanis and Iranians, in general, have little in common and it is more common to hear Omanis, including those who strongly oppose U.S. policies towards Tehran, gripe about Iran than say something positive.

RAISING IRAN'S PROFILE

14. (C) Lately, post has noticed an up-tick in the number of official Iranian visitors reported in the local press, as well as statements in the media by Iran's ambassador to Oman.

Iranian Police Commander General Esma'il Moqaddam arrived with a delegation on January 6 for meetings with the Inspector General of the Royal Oman Police and other Omani officials. Iranian Foreign Minister Manouchehr Mottaki met with Yusef bin Alawi in Muscat on February 3. (Note: Bin Alawi told the Ambassador that his meeting with Mottaki focused almost entirely on oil and trade, but he provided no details on what was specifically discussed. End Note.) The following day, Jalal Fairouzn -- Director General of the Gulf Affairs Department at the Iranian MFA -- met with bin Alawi, as well as with Minister of Commerce and Industry Maqbool bin Ali Sultan. Talks with the latter reportedly centered on expanding sea and air links between the two countries.

15. (C) The governor of the Iranian province of Yazd, Mohammed Falah Zadah, visited Muscat this month and met on

MUSCAT 00000156 002 OF 003

February 17 with the Under Secretary of Oman's Commerce & Industry Ministry, Ahmed al-Dheeb, to discuss (according to local press) trade and investment opportunities related to iron, cement, green houses and gas. Speaking to reporters at the Iranian Embassy on February 18, Zadah claimed that he and Omani officials had reached an "initial agreement" to establish a "cardiology medical city" in the Sultanate with money from "Iranian investors," and that Iran would provide up to USD 100 million in credit through the Muscat branch of Bank Saderat to "encourage investment in Iran." (Note: Talking to poloff during post's February 18 National Day event, al-Dheeb stated that about 15 persons comprised the Yazd delegation; he was rather dismissive about his meeting with the group. Post will report on the Iranian banking presence in Oman septel. End Note.)

16. (C) Iran's current ambassador to Oman, Murtada Rahimi, is taking a more aggressive approach in engaging with the media.

According to contacts within the Oman Journalists Association, Rahimi -- who, unlike his predecessor, speaks passable Arabic -- now invites reporters to the Iranian embassy in Muscat every few weeks for a "press conference." As a result, quotes from Rahimi have appeared with more frequency in local and regional papers. As to be expected, Rahimi extols the purported virtues of his country and the benefits to Oman of bilateral cooperation. On January 16, Rahimi claimed in local press that "last year alone, Iran foiled attempts to smuggle 450 millions tons of drugs to the Sultanate." In his second interview in one week with UAE-based "Gulf News," Rahimi was quoted in the paper's February 11 edition as stating that Iran "wants a peaceful region without policing by outside forces," and that Tehran was "ready to cooperate with our neighbors ... in every field from education and medicine to technology, including nuclear energy for peaceful purposes."

A FIRST FOR OMAN: IRANIAN COMMERCIAL EXPOSITION

¶7. (C) While Iran has participated in international trade fairs and commercial exhibitions held in Oman, it has never put on such an event on its own -- until now. Following the economic-related discussions described above, and perhaps trying to capitalize on Omani interest in acquiring Iranian natural gas to fuel its growing industrial needs (refs B, C), the first Iranian commercial exposition opened in Muscat on the evening of February 18. Omani Commerce & Industry Minister Maqbool bin Ali Sultan opened the trade show at the Oman International Exhibition Center. (Note: Maqbool does not normally inaugurate commercial expositions of this kind. End Note.)

¶8. (C) Econoff and POLE Assistant briefly attended the exposition's first full day on February 19. The event hosted product stands from approximately 30 Iranian companies specializing in engineering services, granite, aluminum siding, tourism, food products, furniture, carpets, ceramics, water park development, and tool making. It also included a stand displaying investment opportunities in an Iranian free trade zone. The exposition was poorly attended at the time of the visit, as only 10 Omani and two Western expatriate attendees were milling around the floor. Conspicuously absent were Indian expatriates, who tend to run the day-to-day operations of Oman's large trading houses.

COMMENT

¶9. (C) The recent upswing in Iranian public activity in Oman may signal the launch of a more concerted effort by the Iranian government to increase its public profile and expand its business presence in the Sultanate. Reflecting previous statements of discontent over the lackluster nature of Iran's commercial relationship with Oman, Iranian FM Mottaki announced on December 29, 2007 (during a visit by Minister bin Alawi to Tehran) an ambitious goal of increasing the overall level of Oman-Iran trade from USD 200 million to USD 1 billion. But convincing private companies to do business with Iran could be a hard sell. Business contacts report that concluding deals with Iranian firms can be very difficult due to language barriers, red tape, and a tendency by Iranians to try to re-negotiate agreed terms. As a result, Iranians often advertise project aspirations as completed long before the Omanis are truly on-board. For example, had the investment credit "agreement" announced by the Yazd governor actually been concluded, we would have

MUSCAT 00000156 003 OF 003

almost certainly seen a splash announcement and photo-op from Minister Maqbool and the Chairman of the Oman Chamber of Commerce and Industry, both of whom are Shia.

¶10. (S) Moreover, while the Omani government may be very interested in pursuing energy development projects with Iran, it is more focused on expanding its overall economic ties with India and the Far East (ref A). This focus is reinforced by the fact that Indians represent a significant segment of Oman's private sector workforce. In commercial development for the Omani companies they work for, their inclination will naturally gravitate east, as opposed to north. Concerns within the government and security services over heightened Iranian influence in Oman may also hamper Tehran's ambitions to expand its presence in the Sultanate.

¶11. (S) Despite these concerns and its business focus elsewhere, the Omani government is generally favorably disposed toward the Iranian PR offensive as it requires little substantive action aside from participating in various meetings and, more importantly, serves to keep its giant neighbor to the north happy and cordial. Omani tolerance of Iran's overtures also helps secure Oman's place as a potential bridge between Iran and the West, where Oman remains firmly anchored on regional security matters. Finally, Oman's willingness to play along with this most

recent Iranian campaign is tacit recognition that in dealing with its often ornery and unpredictable northern neighbor, deft diplomacy may be its only option. End Comment.
GRAPPO